Quarterly Report Under Section 13 or 15(d)
of the Securities Exchange Act of 1934

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

[X] Quarterly Report Pursuant To Section 13 or
15(d) of the Securities Exchange Act of 1934

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 1998

or

[ ] Transition Report Pursuant To Section 13 or 15(d)
of the Securities Exchange Act of 1934
For the Transition Period From
___ to ___

Commission file number 1-5581

I.R.S. Employer Identification Number 59-0778222

WATSCO, INC.
(a Florida Corporation)
2665 South Bayshore Drive, Suite 901
Coconut Grove, Florida 33133
Telephone: (305) 858-0828

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES X NO _

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the last practicable date: 24,731,302 shares of the Company's Common Stock ($.50 par value) and 3,206,308 shares of the Company's Class B Common Stock ($.50 par value) were outstanding as of November 12, 1998.

PART I. FINANCIAL INFORMATION

WATSCO, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
September 30, 1998 and December 31, 1997
(In thousands, except per share data)

	SEPTEMBER 30, 1998 (Unaudited)	DECEMBER 31, 1997
ASSETS		
Current assets:		
Cash and cash equivalents	$ 8,450	$ 7,880
Accounts receivable, net	156,706	101,727
Inventories	223,532	173,319
Other current assets	11,157	9,263
Net assets of discontinued operations	12,610	25,892
Total current assets	412,455	318,081
Property, plant and equipment, net	30,875	21,870
Other assets	24,861	8,701
Intangible assets, net	104,994	77,388
	$573,185	$426,040
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term obligations	$ 803	$ 958

Accounts payable	70,548	43,802
Accrued liabilities	25,128	15,562
Total current liabilities	96,479	60,322
Long-term obligations:		
Borrowings under revolving credit agreement	200,700	134,700
Bank and other debt	4,197	2,541
	204,897	137,241
Deferred income taxes and credits	2,880	2,879
Shareholders' equity:		
Common Stock, $.50 par value	12,348	7,631
Class B Common Stock, $.50 par value	1,605	1,083
Paid-in capital	187,802	163,996
Retained earnings	75,870	56,724
Unrealized loss on investments, net of tax	(2,813)	-
Unearned compensation related to outstanding restricted stock	(5,883)	(3,836)
Total shareholders' equity	268,929	225,598
	$573,185	$426,040

See accompanying notes to condensed consolidated financial statements.

WATSCO, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS
Quarter and Nine Months Ended
September 30, 1998 and 1997
(In thousands, except per share data)
(Unaudited)

	QUARTER ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1998	1997	1998	1997
Revenue	$ 317,028	$ 189,462	$ 760,597	$ 450,436
Cost of sales	245,494	147,887	588,688	350,994
Gross profit	71,534	41,575	171,909	99,442
Selling, general and administrative expenses	51,071	29,771	130,191	73,476
Operating income	20,463	11,804	41,718	25,966
Interest expense, net	3,249	762	7,685	1,744
Income from continuing operations before income taxes	17,214	11,042	34,033	24,222
Income taxes	6,369	4,194	12,592	9,326
Income from continuing operations	10,845	6,848	21,441	14,896
Loss on sale of discontinued operation, net of income taxes	--	--	(398)	--
Income (loss) from discontinued operations, net of income taxes	271	140	(20)	737
Net income	11,116	6,988	21,023	15,633
Retained earnings at beginning of period	65,407	48,270	56,724	40,784
Common stock dividends	(653)	(593)	(1,877)	(1,688)
Dividends on preferred stock of subsidiary	--	(33)	--	(97)
Retained earnings at end of period	$ 75,870	$ 54,632	$ 75,870	$ 54,632
Basic earnings per share:				
Income from continuing operations	$ 0.39	$ 0.26	$ 0.80	$ 0.60
Loss on sale of discontinued operation	--	--	(0.02)	--
Income from discontinued operations	0.01	0.01	--	0.03
Net income	$ 0.40	$ 0.27	$ 0.78	$ 0.63
Diluted earnings per share:				
Income from continuing operations	$ 0.37	$ 0.25	$ 0.75	$ 0.56
Loss on sale of discontinued operation	--	--	(0.01)	--
Income from discontinued operations	0.01	0.01	--	0.03
Net income	$ 0.38	$ 0.26	$ 0.74	$ 0.59
Weighted average shares and equivalent shares used to calculate:				
Basic earnings per share	27,873	25,929	26,935	24,895
Diluted earnings per share	29,493	27,634	28,568	26,599

See accompanying notes to condensed consolidated financial statements.

WATSCO, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
Nine Months Ended September 30, 1998 and 1997
(In thousands)
(Unaudited)

	1998	1997
Cash flows from operating activities:		
Net income	$ 21,023	$ 15,633
Loss (income) from discontinued operations, net of income taxes	20	(737)
Loss on sale of discontinued operation, net of income taxes	398	--
Income from continuing operations	21,441	14,896
Adjustments to reconcile income from continuing operations to net cash used in operating activities:		
Depreciation and amortization	6,108	3,103
Provision for doubtful accounts	2,193	1,464
Deferred income tax provision	(204)	--
Changes in operating assets and liabilities, net of effects of acquisitions:		
Accounts receivable	(37,259)	(27,654)
Inventories	(32,226)	(20,879)
Accounts payable and accrued liabilities	18,551	9,141
Other, net	(2,670)	(4,773)
Net cash used in operating activities of continuing operations	(24,066)	(24,702)
Cash flows from investing activities:		
Business acquisitions, net of cash acquired	(22,881)	(116,785)
Capital expenditures, net	(8,397)	(4,662)
Purchases of marketable securities	(735)	(257)
Net cash used in investing activities of continuing operations	(32,013)	(121,704)
Cash flows from financing activities:		
Net borrowings under revolving credit agreement	66,000	87,900
Net repayments of bank and other debt	(6,323)	(12,098)
Net proceeds from issuances of common stock	2,619	86,709
Common stock dividends	(1,862)	(1,688)
Other	--	(97)
Net cash provided by financing activities of continuing operations	60,434	160,726
Net cash used in discontinued operations	(3,785)	(2,316)
Net increase in cash and cash equivalents	570	12,004
Cash and cash equivalents at beginning of period	7,880	2,882
Cash and cash equivalents at end of period	$ 8,450	$ 14,886

See accompanying notes to condensed consolidated financial statements.

WATSCO, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 1998
(In thousands, except share data)
(Unaudited)

1. The condensed consolidated balance sheet as of December 31, 1997, which has been derived from the Company's audited financial statements, and the unaudited interim condensed consolidated financial statements, have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and note disclosures normally included in the annual financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to those rules and regulations, although the Company believes the disclosures made are adequate to make the information presented not misleading. In the opinion of management, all adjustments necessary for a fair presentation have been included in the condensed consolidated financial statements herein.

2. The results of operations for the quarter and nine month period ended September 30, 1998 are not necessarily indicative of the results for the year ending December 31, 1998. The sale of the Company's products is seasonal with revenue generally increasing during the months of May through August.

3. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

4. Basic earnings per share is computed by dividing net income, less subsidiary preferred stock dividends, by the total of the weighted average number of shares outstanding. Subsidiary preferred stock dividends were $33 and $97 for the quarter and nine months ended September 30, 1997, respectively. Diluted earnings per share additionally assumes any added dilution from common stock equivalents.

Shares used to calculate earnings per share are as follows:

	QUARTER ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1998	1997	1998	1997
Weighted average shares outstanding	27,872,756	25,929,176	26,934,811	24,894,560
Dilutive stock options	1,620,458	1,704,766	1,633,080	1,704,766
Shares for diluted earnings per share	29,493,214	27,633,942	28,567,891	26,599,326
Options outstanding which are not included in the calculation of diluted earnings per share because their impact is antidilutive	233,626	--	214,126	--

Weighted average common shares outstanding have been restated to include the effect of a 3-for-2 stock split paid on August 14, 1998.

5. The Company adopted Statement of Financial Accounting Standards ("SFAS") No. 130, "Reporting Comprehensive Income," effective January 1, 1998. SFAS No. 130 establishes standards for reporting and display of comprehensive income and its components in financial statements. The components of the Company's comprehensive income are as follows:

	QUARTER ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1998	1997	1998	1997

Net income	$ 11,116	$ 6,988	$ 21,023	$ 15,633
Unrealized loss on investments, net of tax	(3,692)	--	(2,813)	--
Comprehensive income	$ 7,424	$ 6,988	$ 18,210	$ 15,633

6. Discontinued operations include a personnel staffing business, Dunhill Staffing Systems, Inc., and, until May 1998, a manufacturing operation, Watsco Components, Inc. ("Components"). In May 1998, the Company sold substantially all the operating assets of Components to International Comfort Products Corporation. Summarized results for the discontinued operations are as follows:

	QUARTER ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1998	1997	1998	1997
Revenue:				
Personnel staffing	$ 13,982	$ 11,535	$ 37,643	$ 32,322
Manufacturing	--	5,585	8,861	17,509
	$ 13,982	$ 17,120	$ 46,504	$ 49,831
Income (loss) before income taxes:				
Personnel staffing	$ 474	$ 472	$ 1,239	$ 1,080
Manufacturing	(43)	(244)	(1,270)	118
	431	228	(31)	1,198
Income tax expense (benefit)	160	88	(11)	461
Income (loss) from discontinued operations	$ 271	$ 140	$ (20)	$ 737

Income (loss) before income taxes includes allocated interest expense of $128 and $96 and $376 and $263 for the quarter and nine months ended September 30, 1998 and 1997, respectively. Interest expense was allocated to the discontinued operations based on a ratio of net assets of the discontinued operations to the total Company's consolidated net assets.

7. In July 1998, the Company completed the acquisition of the common stock of Kaufman Supply, Inc. ("Kaufman"), a wholesale distributor of air conditioning and other products to the manufactured housing industry, and in August 1998, completed the acquisition of the common stock of SPS Supply, Inc., a wholesale distributor of air conditioning, heating and refrigeration products. Aggregate consideration for these acquisitions consisted of cash payments of $16,718, debt assumption of $5,253 and the issuance of 920,042 shares of Common Stock having a fair value of $16,520. These transactions are subject to adjustment upon the completion of audits of the assets purchased and the liabilities assumed.

The acquisitions have been accounted for under the purchase method of accounting and, accordingly, their results of operations have been included in the unaudited condensed consolidated statements of income beginning on their respective dates of acquisition. The excess of the aggregate purchase prices over the net assets acquired is being amortized on a straight-line basis over 40 years.

The Company's unaudited pro forma consolidated results of operations, assuming all significant acquisitions occurred on January 1, 1997, are as follows:

	QUARTER ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1998	1997	1998	1997
Revenue	$317,028	$281,295	$822,245	$734,619
Income from continuing operations	$ 10,845	$ 9,528	$ 21,306	$ 18,431
Diluted earnings per share from continuing operations	$ 0.37	$ 0.33	$ 0.73	$ 0.64

The unaudited pro forma consolidated results of operations is not necessarily indicative of either the results of operations that would have occurred had the above companies been acquired on January 1, 1997 for the years presented or of future results of operations.

8. In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which is effective for fiscal years beginning after June 15, 1999. SFAS No. 133 establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. The Company has not yet determined the timing of or method of adoption of SFAS No. 133 and believes that the adoption of this statement will not be material to the Company's consolidated financial position or results of operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

The following table presents the Company's consolidated financial statements from continuing operations for the quarter and nine months ended September 30, 1998 and 1997, expressed as a percent of revenue:

	QUARTER ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1998	1997	1998	1997
Revenue	100.0%	100.0%	100.0%	100.0%
Cost of sales	77.4	78.1	77.4	77.9
Gross profit	22.6	21.9	22.6	22.1
Selling, general and administrative expenses	16.1	15.7	17.1	16.3
Operating income	6.5	6.2	5.5	5.8
Interest expense, net	1.0	.4	1.0	.4
Income taxes	2.1	2.2	1.7	2.1
Income from continuing operations	3.4%	3.6%	2.8%	3.3%

The above table and following narrative includes the results of operations of wholesale distributors of air conditioning, heating and refrigeration equipment and related parts and supplies acquired during 1998 and 1997. These acquisitions were accounted for under the purchase method of accounting and, accordingly, their results of operations have been included in the consolidated results of the Company beginning on their respective dates of acquisition.

QUARTER ENDED SEPTEMBER 30, 1998 VS. QUARTER ENDED SEPTEMBER 30, 1997

Revenue for the three months ended September 30, 1998 increased $127.6 million, or 67%, compared to the same period in 1997. Excluding the effect of acquisitions, revenue increased $25.2 million, or 13%. Such increase was primarily due to additional sales generated from market share gains and increased sales generated by expanded product lines of parts and supplies.

Gross profit for the three months ended September 30, 1998 increased $30.0 million, or 72%, as compared to the same period in 1997, primarily as a result of the aforementioned revenue increases. Excluding the effect of acquisitions, gross profit increased $6.3 million, or 15%. Gross profit margin in the third quarter increased to 22.6% in 1998 from 21.9% in 1997. Excluding the effect of acquisitions, gross profit margin increased to 22.3% in 1998 from 21.9% in 1997.

Selling, general and administrative expenses for the three months ended September 30, 1998 increased $21.3 million, or 72%, compared to the same period in 1997, primarily due to higher selling and delivery costs related to acquired companies and increased sales. Excluding the effect of acquisitions, selling, general and administrative expenses increased $3.2 million, or 11%, primarily due to the aforementioned revenue increases. Selling, general and administrative expenses as a percent of revenue increased to 16.1% in 1998 from 15.7% in 1997, primarily due to the higher cost structures of acquired companies and startup costs related to the opening of new distribution locations. Excluding the effect of acquisitions, selling, general and administrative expenses as a percent of revenue decreased to 15.4% in 1998 from 15.7% in 1997, primarily due to the leveraging of expenses on increased same store sales.

Interest expense, net for the third quarter in 1998 increased approximately $2.5 million, compared to the same period in 1997, primarily due to higher average borrowings used to complete business acquisitions.

The effective tax rate for the three months ended September 30, 1998 was 37.0% compared to 38.0% for the same period in 1997. This decrease was primarily due to the implementation of certain tax planning strategies.

NINE MONTHS ENDED SEPTEMBER 30, 1998 VS. NINE MONTHS ENDED SEPTEMBER 30, 1997

Revenue for the nine months ended September 30, 1998 increased $310.2 million, or 69%, compared to the same period in 1997. Excluding the effect of acquisitions, revenue increased $57.8 million, or 13%. Such increase was primarily due to additional sales generated from market share gains and increased sales generated by expanded product lines of parts and supplies.

Gross profit for the nine months ended September 30, 1998 increased $72.5 million, or 73%, as compared to the same period in 1997, primarily as a result of the aforementioned revenue increases. Excluding the effect of acquisitions, gross profit increased $13.4 million, or 14%. Gross profit margin for the nine month period increased to 22.6% in 1998 from 22.1% in 1997. Excluding the effect of acquisitions, gross profit margin increased to 22.2% in 1998 from 22.1% in 1997.

Selling, general and administrative expenses for the nine months ended September 30, 1998 increased $56.7 million, or 77%, compared to the same period in 1997, primarily due to higher selling and delivery costs related to acquired companies and increased sales. Excluding the effect of acquisitions, selling, general and administrative expenses increased $8.2 million, or 11%, primarily due to the aforementioned revenue increases. Selling, general and administrative expenses as a percent of revenue increased to 17.1% in 1998 from 16.3% in 1997, primarily due to the higher cost structures of acquired companies and startup costs related to the opening of new distribution locations. Excluding the effect of acquisitions, selling, general and administrative expenses as a percent of revenue decreased to 16.1% in 1998 from 16.3% in 1997, primarily due to the leveraging of expenses on increased same store sales.

Interest expense, net for the nine months ended September 30, 1998 increased approximately $5.9 million, compared to the same period in 1997, primarily due to higher average borrowings used to complete business acquisitions.

The effective tax rate for the nine months ended September 30, 1998 was 37.0% compared to 38.5% for the same period in 1997. This decrease was primarily due to the implementation of certain tax planning strategies.

LIQUIDITY AND CAPITAL RESOURCES

The Company maintains a bank-syndicated revolving credit agreement that provides for borrowings of up to $260 million, expiring on August 8, 2002. Borrowings under the unsecured agreement are used to fund seasonal working capital needs and for other general corporate purposes, including acquisitions. Borrowings under the agreement, which totaled $200.7 million at September 30, 1998, bear interest at primarily LIBOR-based rates plus a spread that is dependent upon the Company's financial performance (LIBOR plus .6% at September 30, 1998). The agreement contains financial covenants with respect to the Company's consolidated net worth, interest and debt coverage ratios and limits capital expenditures and dividends in addition to other restrictions.

At September 30, 1998, the Company had various interest rate swap agreements with an aggregate notional amount of $100 million to manage its net exposure to interest rate changes related to a portion of the borrowings under the revolving credit agreement. The interest rate swap agreements effectively convert a portion of the Company's LIBOR-based variable rate borrowings into fixed rate borrowings. The Company continuously monitors developments in the capital markets and only enters into swap transactions with established counterparties having investment-grade ratings.

Working capital increased to $316.0 million at September 30, 1998 from $257.8 million at December 31, 1997. This increase was funded primarily by borrowings under the Company's revolving credit agreement.

Cash and cash equivalents increased $.6 million during the nine month period ended September 30, 1998. Principal sources of cash were borrowings under the revolving credit agreement and profitable operations. The principal uses of cash were to fund working capital needs, including the addition of inventory to expand the product offerings of both existing and newly acquired locations, and finance acquisitions and capital expenditures.

The Company has adequate availability of capital from operations and its revolving credit agreement to fund present operations and anticipated growth, including expansion in its current and targeted market areas. The Company continually evaluates potential acquisitions and has held discussions with a number of acquisition candidates; however, the Company currently has no binding agreement with respect to any acquisition candidates. Should suitable acquisition opportunities or working capital needs arise that would require additional financing, the Company believes that its financial position and earnings history provide a solid base for obtaining additional financing resources at competitive rates and terms.

YEAR 2000 ISSUE

Many computer systems in use today may be unable to correctly process data or may not operate at all after December 31, 1999 because those systems recognize the year within a date only by the last two digits. Some computer programs may interpret the year "00" as 1900, instead of as 2000, causing errors in calculations, or the value "00" may be considered invalid by the computer program causing the system to fail. The Year 2000 issue affects: (1) information technology utilized by the Company, (2) other systems utilized by the Company, such as communications, facilities management and service equipment containing embedded computer chips and (3) systems of key customers, suppliers and other business partners.

The Company's activities to manage the Year 2000 issue include (a) identifying the systems that are non-compliant, (b) formulating strategies to remedy the problems, (c) making the changes necessary through purchasing new or modifying existing systems and (d) testing the changes. The identification and formulation stages have been performed by the Company and each of its subsidiaries and are nearly complete. The implementation of changes, the validation testing of such changes and an assessment of Year 2000 exposures as they may relate to the Company's key customers, suppliers or other business partners are expected to be conducted over the remainder of 1998 and throughout 1999.

Based on the Company's assessment to date, management does not expect the implementation costs related to the Year 2000 issues to have a material adverse impact on the Company's financial position, results of operations or cash flows; however, this estimate could change as the Company's activities to address the Year 2000 issue progresses.

While management believes that it has undertaken reasonable steps to address the Year 2000 issue, there can be no assurance that a failure to convert the Company's systems or the inability of its key suppliers, customers or other business partners to adequately address the Year 2000 issue would not have a material adverse impact on the Company.

SAFE HARBOR STATEMENT

This quarterly report contains statements which, to the extent they are not historical fact, constitute "forward looking statements" under the securities laws. All forward looking statements involve risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company to differ materially from those contemplated or projected, forecasted, estimated, budgeted, expressed or implied by or in such forward looking statements. The forward looking statements in this document are intended to be subject to the safe harbor protection provided under the securities laws.

For additional information identifying some other important factors which may affect the Company's operations and markets and could cause actual results to vary materially from those anticipated in the forward looking statements, see the Company's Securities and Exchange Commission filings, including but not limited to, the discussion included in the Business section of the Company's Form 10-K under the heading "Other Information".

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

There have been no significant changes from the information reported in the Annual Report on Form 10-K for the period ended December 31, 1997, filed on March 31, 1998.

Item 2. Changes in the Rights of the Company's Security Holders

In July and August 1998, the Company issued 920,042 shares of Common Stock as partial consideration for acquisitions made by the Company. See Note 7 of the Notes to Condensed Consolidated Financial Statements. The shares were issued pursuant to an exemption set forth under Section 4(2) of the Securities Act of 1933, as amended.

Item 3. Defaults by the Company on its Senior Securities

None

Item 4. Results of Votes of Securities Holders

None

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

10.17 Exhibit A-1 to Employment Agreement and Incentive Plan dated January 31, 1996 by and between Watsco, Inc. and Albert H. Nahmad

27. Financial Data Schedule (for SEC use only).

(b) Reports on Form 8-K

None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WATSCO, INC.

(Registrant)

By: /s/ Barry S. Logan

Barry S. Logan
Vice President and Secretary
(Chief Financial Officer)

November 13, 1998

EXHIBIT INDEX

EXHIBIT	DESCRIPTION
10.17	Exhibit A-1 to Employment Agreement and Incentive Plan dated January 31, 1996 by and between Watsco, Inc. and Albert H. Nahmad
27	Financial Data Schedule

EXHIBIT A-1

1998 Performance Goals and Performance Based Compensation

I. Formula

		PERFORMANCE BASED COMPENSATION FORMULA
A.	EARNING PER SHARE For each $.01 increase............................	$43,500
B.	INCREASE IN COMMON STOCK PRICE For each $.0625 increase in per share price of a share of Common Stock from $28.875 per share............................	$ 4,225

II. Method of Payment

A. CASH. The Performance Board Compensation determined for 1998 under the formula set forth in Section I above shall be paid in cash if and to the extent such Compensation does not exceed $1,250,000.

B. RESTRICTED STOCK. If the Performance Based Compensation determined for 1998 under the formula set forth in Section I above exceeds $1,250,000 (such excess amount being referred to as the "Additional Amount"), the Executive shall be granted a number of shares of restricted Class B Common Stock of the Company (the "Shares") equal to the amount determined by dividing (i) two times the Additional Amount, by (ii) closing price for the Class B Common Stock of the Company on the American Stock Exchange as of the close of trading on December 31, 1998. The value of any fractional shares shall be paid in cash. The restrictions on the Shares shall lapse on the first to occur of (i) October 15, 2014, (ii) termination of the Executive's employment with the Company by reason of Executive's disability or death, (iii) the Executive's termination of employment with the Company for Good Reason; (iv) the Company's termination of Executive's employment without Cause, or (v) the occurrence of a Change in Control of the Company ("Good Reason", "Cause", and "Change in Control" to be defined in a manner consistent with the most recent grant of Restricted Stock by the Company to the Executive).

Dated: March 23, 1998

/s/ Paul Manley

Paul Manley, Chairman
Compensation Committee

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE WATSCO,
INC. FORM 10-Q FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 1998 AND IS
QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENT.

1,000

9-MOS
DEC-31-1997
SEP-30-1998
8,450
13,060
163,384
6,678
223,532
412,455
54,762
23,887
573,185
96,479
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254,976
573,185
760,597
760,597
588,688
588,688
127,998
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(418)
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21,023
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0.74